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Economic History and Geography

International Finance and Its Reorganization. By ELISHA M. FRIEDMAN. (New York: E. P. Dutton & Company. 1921. Pp. xli, 702. \$7.00.)

In this financial history of the World War, as it might properly be termed, the author has admirably accomplished his purpose of presenting a precise account of the financial changes in Europe during and since the war, together with a summary of the various proposals for financial reconstruction. The book is divided into two parts, section A covering the effects of the war, and section B, the financial reorganization.

In section A such subjects as public debt and taxation, currency and credit, and foreign exchange are discussed. Although nothing particularly new has been added, the author has unquestionably rendered a service by the able manner in which he has approached the loan and taxation theories of war finance. Good judgment has been shown in exposing at the very beginning the fallacy contained in the idea that war burdens can be shifted to future generations by means of loans. The author has also done much to clear the atmosphere of some of the popular misconceptions regarding the external and internal debts of nations. The following quotation from page 22 summarizes his views in this regard:

A foreign debt requires annual interest payments which may be effected by an exportation of goods, and to that extent the debt represents a diminution of the real wealth of a country. But an internal debt is a paper debt; it does not diminish the wealth of the nation as a whole. Repudiation of the internal debt, a capital levy, or a scaling down of values, would leave the nation's wealth unaffected although it might disturb the economic condition of the country. A paper debt, held internally, never ruined a country. During the Revolution, France repeatedly repudiated her debt, and yet at the end of the period was undoubtedly richer than at the beginning.

In section B the author discusses the factors in the financial reorganization, taking up the capital levy, national bankruptcy, inter-allied debts, the German indemnity, international loans, and New York and London as financial centers. The author devotes considerable space to a capital levy. He approaches this problem from the same angle as that taken in discussing the loan method of war finance. He courageously attacks the problem from the social point of view and as a consequence simplifies it and at the same time clears away many of the popular misconceptions surrounding it. In substance, he shows that through a capital levy society merely acknowledges that individual assets which are social liabilities serve no beneficial purposes when they exist in exceptionally large volume. He points out that a recognition of their true status through an attempt to apportion the existing

burden on some equitable basis is not necessarily a revolutionary step nor a social burden. It readjusts an existing burden but adds no new one. The inter-allied debt controversy is impartially presented with a comprehensive review of the various opinions expressed on this subject by all of the principal countries involved.

In appraising New York and London as financial centers, the author is of the opinion that while New York will not replace London as the world's financial center, it will assume a position of increasing importance in future international financial operations. Although London suffered as a banking center because of the war, New York cannot supplant it because it lacks the machinery and personnel necessary really to serve as the world's banking center. Until New York can develop a wide market for both international acceptances and foreign securities, it has little chance to compete effectively with London.

This book constitutes a real contribution to current economic discussion. The author has gathered together and made a careful selection of the huge mass of material that has been written upon the subject of national and international finance in recent years. Through orderly and logical arrangement, the most important material has been presented in an interesting manner. As a source-book and history of the financial ills of the world growing out of the war, it is undoubtedly the most comprehensive work that has yet appeared. The book will prove serviceable not only to the student but to the layman.

W. F. GEPHART.

America and the Balance Sheet of Europe. By JOHN FOSTER BASS and HAROLD GLENN MOULTON. (New York: The Ronald Press Company. 1921. Pp. 361. \$3.00.)

"The situation as it really is," "The reparations dilemma," and "Remedies—proposed and real" are the titles of the three parts of this book. In part I are discussed depreciated exchange, national debts and budgets, and the European and German monetary situation. The fundamental principles involved in such questions have not changed since the book was written, and the authors' discussions of the outstanding features are as pertinent now as when the book was written. Part II, on the reparations dilemma, considers Germany's ability to pay and the amount that the Allies are willing to receive. The chief value of the authors' discussion of this question is the manner in which they show the political and economic aspects of the reparations question, much of which the Europeans themselves either do not understand or are not willing to recognize as facts in the situation. In part III the authors describe the many plans which have been advanced on the assumption that Europe could be restored at once to normal eco-